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Chair: Mr. Tommo Monthe ..... (Cameroon)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Kelapile

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The meeting was called to order at 3.10 p.m.

Agenda item 142: Report on the activities of the Office of Internal Oversight Services (A/66/286 (Part I) and Add.1)

Agenda item 132: Review of the efficiency of the administrative and financial functioning of the United Nations (A/66/299)

1. **Ms. Lapointe** (Under-Secretary-General for Internal Oversight Services), introducing the annual report of the Office of Internal Oversight Services (OIOS) (A/66/286 (Part I) and Add.1), said that the vacancy rate in OIOS had been reduced to 17 per cent as at August 2011 compared to 23 per cent a year earlier. To ensure a timely response to critical issues identified in oversight reports and support efforts to promote accountability and transparency, the Office would make its reports publicly available on its website as of January 2012. The reports would include action plans and management's response. OIOS would signal the significance of audit results by assigning ratings of satisfactory, partially satisfactory or unsatisfactory to internal audit results. All open recommendations were currently under review and would be reduced to a more manageable number so that management and OIOS could focus on the principal areas of concern. Important and critical recommendations that were not accepted would be escalated to ensure acceptance of residual risks at the appropriate management level.

2. Starting in 2012, the Office would report annually on peacekeeping and non-peacekeeping operations on a calendar year basis to improve the reporting and monitoring of recommendations and the provision of accountability statistics for senior managers' compacts. Other initiatives to strengthen the work of OIOS included aligning work priorities with organizational risks; developing a toolkit for auditing programme performance management; strengthening internal work processes and systems with the customization of electronic documentation and management software; and establishing a Digital Forensic Unit in the Investigations Division.

3. The Office had issued 323 reports in the period under review; details of the work of the Internal Audit Division, the Inspection and Evaluation Division and the Investigations Division were provided in paragraphs 30 to 53 of the report (A/66/286 (Part I)).

4. **Mr. Walker** (Chairman of the Independent Audit Advisory Committee), introducing the report of the Independent Audit Advisory Committee (IAAC) on its activities for the period from 1 August 2010 to 31 July 2011 (A/66/299), said that during the reporting period IAAC members had continued their practice of meeting with a broad range of United Nations stakeholders and had received adequate access to the individuals, documents and reports they had deemed necessary to conduct their work. The report contained a workplan for 2012, based on the responsibilities of IAAC, the United Nations budget cycle and the sessions of the General Assembly, the Advisory Committee on Administrative and Budgetary Questions, and the Board of Auditors.

5. As at 30 June 2011, IAAC had made a total of 82 recommendations, 43 of which had been implemented and 24 of which were in progress or pending consideration. Fifteen recommendations on OIOS and the accountability system in the United Nations had been deferred for consideration by the General Assembly. The current report contained 15 new recommendations, bringing the total to 97.

6. The improved rates of implementation of oversight body recommendations were a step in the right direction. To be an essential element of accountability, however, such recommendations must be of high quality, add value and be implemented in a timely manner; IAAC would therefore examine the initiative to be introduced by OIOS in its treatment of recommendations issued to management. He acknowledged the work of the Management Committee, which had dedicated several sessions to reviewing and following up on oversight body recommendations.

7. Despite the move towards residual risk-based work planning in OIOS and management efforts to lay the ground for enterprise risk management, more needed to be done. An organization as large, complex and important as the United Nations should have a robust enterprise risk management framework steered from the highest level. In that regard, IAAC had reiterated its recommendations on the accountability system.

8. In reviewing the Organization's financial statements and the reports of the Board of Auditors, IAAC had noted that voluntary contributions made up an increasing percentage of the overall resources of

United Nations system organizations and recommended that management should articulate and mitigate the associated risks.

9. High vacancy rates in OIOS had been a long-standing issue. He welcomed the decline in the overall rate and particularly the filling of three key leadership posts. The continued high vacancy rate in the Investigations Division could, however, affect the results of the pilot project on investigations. The Institute of Internal Auditors had recently completed a peer review of OIOS and would issue its findings in the near future.

10. The advice of IAAC with respect to the proposal on performance audits requested by the General Assembly in its resolution 65/243 B was contained in paragraphs 54 to 57 of its report (A/66/299).

11. He noted with concern two recent opinions from the Office of Legal Affairs relating, first, to OIOS audit authority over funds and programmes and, second, to whether the two IAAC members appointed for an initial term of four years could be reappointed for an additional three-year term. His own term and that of Vice-Chairman John Muwanga would expire at the end of 2011. He had been honoured to serve as Chairman of IAAC for the first four years of its existence, but would not seek reappointment.

12. **Mr. Di Luca** (Argentina), speaking on behalf of the Group of 77 and China, noted the OIOS recommendations aimed at achieving cost savings, recovery of overpayments, efficiency gains and systematic risk management, and reiterated the Group's support for the operational independence of OIOS. He reaffirmed the distinct roles of internal and external oversight mechanisms and urged OIOS to continue its coordination with the Board of Auditors and the Joint Inspection Unit to avoid overlaps in duties and minimize gaps in oversight coverage. The Group would seek clarification in informal consultations on the initiatives under way to strengthen OIOS.

13. He commended those United Nations entities that accepted and consistently implemented OIOS recommendations, but expressed concern that the number of unaccepted recommendations had increased and that implementation rates, including for critical recommendations, had fallen. During deliberations on the matter, the Group would be mindful of the comments made by IAAC on the issue of the quantity versus the quality of OIOS recommendations. He urged OIOS to continue working closely with the Secretariat and other United Nations entities to facilitate the implementation of recommendations and to resolve differences before they escalated.

14. While the Group welcomed the filling of vacant posts in OIOS, it was concerned at the difficulty in attaining optimum staffing levels, particularly in the Investigations and Internal Audit Divisions. The remaining vacant posts should be filled as a matter of urgency, with special emphasis on equitable gender and geographical distribution.

15. Noting the IAAC recommendations aimed at enhancing the efficiency and impact of audit and other oversight functions, the Group urged the oversight bodies to continue sharing experience, knowledge, best practices and lessons learned.

16. **Mr. Dettling** (Switzerland), speaking also on behalf of Liechtenstein, welcomed the improvements made to the OIOS risk management methodology in accordance with IAAC recommendations. He hoped that in future a risk management approach would also be applied to investigations. His delegation would welcome the inclusion in future OIOS annual reports of an analysis of the changes in categories of risk within the Secretariat. While the Office had made encouraging progress in risk management, a solid Organization-wide enterprise risk management framework would be required to conduct audits based on risk analysis; he therefore urged the Secretary-General to further enhance the Secretariat's capabilities for risk assessment and mitigation and internal control. His delegation welcomed the reduction in the vacancy rate within OIOS and the appointment of division heads in particular.

17. OIOS had recommended useful changes to the rating system for audit reports and the classification of recommendations. Some of the matters discussed in the report, including funding arrangements for OIOS activities and the appropriate reporting lines between the Office and the General Assembly, were related to the notion of operational independence. He hoped that the Fifth Committee and OIOS would further refine the scope of "operational independence" in order to reinforce the roles and responsibilities of all stakeholders.

18. **Ms. Lee** (Singapore) welcomed the progress made in filling vacant posts in OIOS, particularly for leadership positions. However, she shared the concerns

expressed by IAAC that the continued high vacancy rate in the Investigations Division could be detrimental to the Office's work.

19. OIOS and management should continue to coordinate their processes so as to avoid confusion for key stakeholders and should work together to improve the implementation rate of OIOS recommendations. IAAC, for its part, had consistently provided useful insights on how OIOS could improve its work.

20. The United Nations should maintain the separate and distinct roles of internal and external oversight mechanisms: OIOS, the Board of Auditors, IAAC and the Joint Inspection Unit performed complementary duties within a framework that made for a stronger and more efficient Organization.

21. **Mr. Lieberman** (United States of America) welcomed the IAAC recommendations on the oversight function in the United Nations, the accountability framework, performance auditing and the roles of the Board of Auditors and OIOS.

22. He commended the Under-Secretary-General for Internal Oversight Services for the work done in the previous year to strengthen OIOS, including by filling the vacant director-level positions and reducing the overall vacancy rate. He welcomed the decisions to streamline audit reports and categorize recommendations to provide more useful products for managers and the initiative to increase transparency by posting audit reports on the OIOS website.

23. His delegation had been concerned by the state of investigative capacity within OIOS since the termination of the Procurement Task Force. He hoped that the filling of leadership positions, realignment in the conduct of investigations and audits to reveal systemic weaknesses, and the hiring of qualified personnel to investigate financial crimes would allow OIOS to provide robust oversight of United Nations resources. In that connection, his Government would support a proposal for the establishment of the post of Assistant Secretary-General to assist with the management of OIOS divisions and with administrative and cross-cutting issues.

24. He concurred with the IAAC recommendation calling for a proposal on funding arrangements for OIOS, particularly with respect to United Nations entities funded by voluntary contributions, to ensure that the work of OIOS was not constrained by funding shortfalls.

25. **Ms. Mollestad** (Norway) said that the United Nations should show zero tolerance for corruption, fraud or other misuse of funds. Moreover, the operational independence of OIOS was fundamental to the credibility and legitimacy of the Organization. She welcomed the plans to increase the effectiveness and transparency of internal audit results. Some of the results detailed in the OIOS report (A/66/286 (Part I)) illustrated the advantage of the risk-based approach to oversight. Her delegation supported the plans to reduce the number of reports and recommendations issued by OIOS in order to focus on the most critical issues and improve monitoring of the implementation of recommendations.

26. It was important to establish congruity between the mandate and workplan of OIOS, on one hand, and the financial and human resources available to it, on the other. She welcomed the filling of director-level vacancies in OIOS and noted that further efforts were needed to address the high overall vacancy rate. OIOS must be provided with the resources required to build further on the positive work done so far.

27. **Mr. Nguyen** Dinh Hai (Viet Nam), commending the work done by IAAC and its follow-up on the implementation of recommendations, endorsed its proposed schedule of activities for 2012. His delegation shared the view of IAAC that the implementation rate of the Board of Auditors' recommendations on peacekeeping should be improved to enhance accountability. The high number of recommendations in the area of logistics indicated a systemic issue that should be addressed. He also concurred with IAAC that in order to strengthen accountability in the Secretariat, the Management Board should pay greater attention to OIOS recommendations on critical or high-risk management issues that remained unimplemented and should interact more often with the oversight bodies. Oversight was an ongoing process that should help staff members to meet the highest standards of ethics, accountability and performance.

28. **The Chair** asked whether, in the view of the Chairman of the Independent Audit Advisory Committee, oversight had been strengthened at the United Nations since the issuance of the Volcker report

on the oil-for-food programme, which had led to the creation of IAAC.

29. **Mr. Walker** (Chairman of the Independent Audit Advisory Committee) responded that, since the establishment of IAAC, there had been improvements in oversight in general and OIOS in particular, and in the relationship between management and oversight bodies. A number of areas still required attention and the job would never be complete: while the risks had been reduced, there was no such thing as zero risk. The United Nations must now focus on continuous improvement and on the quality of the results being achieved given the resources available. That was an issue not solely for the oversight functions, but for the entire Organization.

The meeting rose at 4.05 p.m.